

INFORMATION BULLETIN #6

INCOME TAX

JANUARY 2003

(Replaces Bulletin #6 dated April 1997)

DISCLAIMER: Information bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules and court decisions. Any information that is not consistent with the law, regulations or court decisions is not binding on either the department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for the further investigation and study of the current law and procedures related to the subject matter covered herein.

SUBJECT: Civil Service Annuity Adjustment and Military Retirement or Survivor's Benefit Adjustment

REFERENCES: IC 6-3-2-3.7; IC 6-3-2-4

Civil Service Annuity Adjustment

IC 6-3-2-3.7 allows a deduction for a portion of a federal civil service annuity. In order to qualify for the civil service annuity adjustment, the taxpayer must be at least 62 years old at the close of the tax year and have received a civil service annuity includable in adjusted gross income while a resident of Indiana.

The allowable adjustment is equal to the federal civil service annuity received while an Indiana resident up to a maximum of \$2,000 minus the total amount of social security and tier 1 and tier 2 railroad retirement benefits received while a resident of Indiana.

Example 1

A full-year Indiana resident who received a civil service annuity of \$3,000 was 61 years old at the end of the year and received social security benefits totaling \$2,300. The taxpayer received no other income during the year.

The taxpayer would not be entitled to the civil service annuity adjustment because he was not at least 62 years old.

If the taxpayer had been 62 years old, he still would not be entitled to the adjustment because the first \$2,000 of civil service annuity is eliminated by the amount of social security benefits received.

Example 2

A full-year Indiana resident who received a civil service annuity of \$6,000 was 66 years old and received railroad retirement benefits of \$1,300. The taxpayer received no other income during the year.

The taxpayer would be entitled to a civil service annuity adjustment of \$700, computed by subtracting the \$1,300 railroad retirement benefits from the first \$2,000 of civil service annuity received.

Example 3

A part-year Indiana resident received a civil service annuity of \$5,000 and social security benefits totaling \$1,800. The taxpayer became 66 years old in May of the tax year, and established residence in Indiana at that time.

During the eight months that the taxpayer was a resident of Indiana, he received a \$3,000 civil service annuity and \$1,200 in social

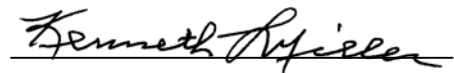
security benefits. The taxpayer received no other income during the year.

The taxpayer would be entitled to a civil service annuity adjustment of \$800 computed by subtracting the \$1,200 social security benefits received while a resident of Indiana from the first \$2,000 of civil service annuity received while a resident of Indiana.

Military Retirement or Survivor's Benefit Adjustment

IC 6-3-2-4 allows an adjustment for retirement pay or survivor's benefits received as a result of the individual's active or reserve service in the armed services.

In order to qualify for the military retirement or survivor's benefit adjustment, the taxpayer or surviving spouse must be at least 60 years of age on the last day of the tax year and have received military retirement or survivor's benefits while a resident of Indiana. The allowable adjustment is the amount of military or survivor's benefits received while a resident of Indiana and included in adjusted gross income, up to a maximum of \$2,000.



Kenneth L. Miller
Commissioner